

Township of Convis
Calhoun County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2008

CONTENTS

	Page
MANAGEMENT'S DISCUSSION AND ANALYSIS	i - vi
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	4
Statement of activities	5
Fund financial statements:	
Balance sheet - governmental funds	6
Statement of revenues, expenditures, and changes in fund balances - governmental funds	7
Statement of fiduciary net assets - Agency Fund	8
Notes to financial statements	9 - 14
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	15 - 16
Emergency Services Fund	17
Host Community Fund	18

MANAGEMENT'S DISCUSSION AND ANALYSIS

Township of Convis
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Convis's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$207,248 (6 percent) as a result of this year's activities.
- Of the \$3.74 million total net assets reported, \$2.65 million (71 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$1.48 million.

Overview of the financial statements

The Township's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) are one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements present *governmental activities*. These activities include functions most commonly associated with government (e.g., general government, public safety, public works, library, etc.). Property taxes and state grants generally fund these services.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The Township Board establishes other funds to control and manage money for particular purposes, like the Emergency Services Fund, and the Host Community Fund.

The Township has two kinds of funds:

- **Governmental funds.** Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements that explains the relationship between them.
- **Fiduciary funds.** These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$3.74 million. Of this total, \$1.08 million is invested in capital assets. The remaining unrestricted net assets were \$2.65 million.

Condensed financial information
Net Assets (in thousands)

	<i>Governmental activities</i>	
	<u>2008</u>	<u>2007</u>
Current assets	\$ 2,664.3	\$ 2,455.7
Capital assets	<u>1,084.0</u>	<u>1,082.2</u>
Total assets	<u>3,748.3</u>	<u>3,537.9</u>
Current liabilities	<u>11.4</u>	<u>8.3</u>
Net assets:		
Invested in capital assets	1,084.0	1,082.2
Unrestricted	<u>2,652.9</u>	<u>2,447.4</u>
Total net assets	<u>\$ 3,736.9</u>	<u>\$ 3,529.6</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in net assets. The Township's total revenues are \$596 thousand. Over 54 percent of the Township's revenues come from landfill impact fees, and 19 percent comes from state grants.

The total cost of all the Township's programs, covering a wide range of services, totaled \$388 thousand. About 56 percent of the Township's costs relate to the provision of general governmental services. Public safety costs account for 26 percent and public works costs account for 12 percent. No other expense category exceeds 10 percent of the total.

*Condensed financial information
Changes in Net Assets*

	<i>Governmental activities</i>	
	<u>2008</u>	<u>2007</u>
Program revenues:		
Charges for services	\$ 13,725	\$ 7,949
Operating grants and contributions	3,147	3,161
Capital grants and contributions	-	6,792
General revenues:		
Landfill impact fees	324,019	297,714
Franchise fees	532	-
State shared revenue	113,914	113,336
Interest income	140,455	114,472
Total revenues	<u>595,792</u>	<u>543,424</u>
Expenses:		
Legislative	5,040	3,860
General government	218,103	243,838
Public safety	99,151	89,348
Public works	46,827	36,251
Economic development	5,111	2,980
Recreation and culture	14,312	11,000
Total expenses	<u>388,544</u>	<u>387,277</u>
Increase in net assets	<u>\$ 207,248</u>	<u>\$ 156,147</u>

Governmental activities. Governmental activities increased the Township's net assets by \$207 thousand compared to \$156 thousand last year, as revenues again surpassed the Township's expenses for the year. Changes in individual categories of general revenues included a \$26 thousand increase in investment income due to increased amounts invested at higher interest rates, and \$26 thousand increased landfill fees from increased usage by the landfill contractor.

The cost of all governmental activities this year was about \$388 thousand. After subtracting the direct charges to those who directly benefited from the programs (\$14 thousand), and operating grants (\$3 thousand), the "public benefit" portion covered by impact fees, state revenue sharing, and interest was \$371 thousand, similar to \$370 thousand in 2007.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds. As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2.59 million, an increase of \$218 thousand over the prior year. The total fund balances are unreserved, and are available for spending at the Township's discretion.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$1.48 million, which increased by \$56 thousand during the fiscal year compared to \$6 thousand in 2007. Increased landfill fees and the increase in interest discussed previously accounted for most of the \$72 thousand revenue increase this year. Total expenditures in the General Fund for 2008 were approximately \$22 thousand more than 2007, with several small cost decreases in the general government activities being offset by increases in the police contract, road improvements and capital outlay for equipment purchase.

The Emergency Services Fund balance increased by \$133 thousand, including interest earned and \$100 thousand transferred from the General Fund.

The Host Community Fund did not incur expenditures during the year, so the fund's fund balance increase was equal to its revenues of \$29 thousand.

General Fund budgetary highlights

Budgeted expenditures were decreased during the year. The difference between the actual and budgeted amounts (\$588 thousand positive variance) can be attributed to several expenditures not being incurred at anticipated levels (e.g., for Township hall repairs, legal services, fire control, road maintenance, and capital outlay).

Township of Convis
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental activities as of March 31, 2008, amounts to \$1.08 million (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, and equipment. The increase in the Township's net investment in capital assets for the current fiscal year was approximately \$2 thousand, comprised of a \$35 thousand emergency generator purchase, net of about \$33 thousand in total annual depreciation.

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Economic condition and outlook

Continued increases in investment income are again expected in 2008, resulting in an overall increase in total revenues. The Township plans to maintain all ongoing programs for 2008. Certain costs, for example for public safety services, are likely to increase. The Township will again consider the need for various capital expenditures and additional road improvement projects. The Township has available resources for all anticipated expenditures.

Contacting the Township's financial management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Julia Schafer, Township Supervisor
Township of Convis
19500 15 Mile Road
Marshall, Michigan 49068

Phone: (269) 789-0654

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Convis, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining fund information of Township of Convis, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of Township of Convis, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of Township of Convis, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, on pages i through vi, and the budgetary comparison information on pages 15 through 18, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Siegfried Crandall P.C.

July 25, 2008



1958-2008

BASIC FINANCIAL STATEMENTS

Township of Convis
STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 1,994,025
Investments	521,255
Receivables, net	131,385
Prepaid expenses	<u>17,675</u>
Total current assets	<u>2,664,340</u>
Noncurrent assets:	
Capital assets, not being depreciated	125,000
Capital assets, net of accumulated depreciation	<u>958,973</u>
Total noncurrent assets	<u>1,083,973</u>
Total assets	<u>3,748,313</u>
LIABILITIES	
Current liabilities - accounts payable	<u>11,450</u>
NET ASSETS	
Invested in capital assets	1,083,973
Unrestricted	<u>2,652,890</u>
Total net assets	<u>\$ 3,736,863</u>

See notes to financial statements

Township of Convis
STATEMENT OF ACTIVITIES
Year ended March 31, 2008

		<u>Program revenues</u>		<u>Net (expenses)</u> <u>revenues and</u> <u>changes in</u> <u>net assets</u>
	<u>Expenses</u>	<u>Charges for</u> <u>services</u>	<u>Operating</u> <u>grants and</u> <u>contributions</u>	<u>Governmental</u> <u>activities</u>
Functions/Programs				
Governmental activities:				
Legislative	\$ 5,040	\$ -	\$ -	\$ (5,040)
General government	218,103	12,825	-	(205,278)
Public safety	99,151	-	-	(99,151)
Public works	46,827	-	3,147	(43,680)
Community and economic development	5,111	900	-	(4,211)
Culture and recreation	<u>14,312</u>	<u>-</u>	<u>-</u>	<u>(14,312)</u>
Total governmental activities	<u>\$ 388,544</u>	<u>\$ 13,725</u>	<u>\$ 3,147</u>	<u>(371,672)</u>
General revenues:				
Landfill impact fees				324,019
Franchise fees				532
State grants				113,914
Investment income				<u>140,455</u>
Total general revenues				<u>578,920</u>
Change in net assets				207,248
Net assets - beginning				<u>3,529,615</u>
Net assets - ending				<u>\$ 3,736,863</u>

See notes to financial statements

Township of Convis
BALANCE SHEET - governmental funds
March 31, 2008

	<u>General</u>	<u>Emergency Services</u>	<u>Host Community</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ 1,177,687	\$ 595,223	\$ 221,115	\$ 1,994,025
Investments	236,113	183,536	101,606	521,255
Receivables	76,490	-	7,312	83,802
Prepaid expenses	<u>6,035</u>	<u>-</u>	<u>-</u>	<u>6,035</u>
Total assets	<u>\$ 1,496,325</u>	<u>\$ 778,759</u>	<u>\$ 330,033</u>	<u>\$ 2,605,117</u>
LIABILITIES AND FUND BALANCES				
Liabilities - accounts payable	\$ 11,450	\$ -	\$ -	\$ 11,450
Fund balances - unreserved, undesignated	<u>1,484,875</u>	<u>778,759</u>	<u>330,033</u>	<u>2,593,667</u>
Total liabilities and fund balances	<u>\$ 1,496,325</u>	<u>\$ 778,759</u>	<u>\$ 330,033</u>	<u>\$ 2,605,117</u>
Total fund balances - total governmental funds				\$ 2,593,667
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 4) are different because:				
Certain assets are not financial resources and, therefore, are not reported in the funds:				
Accrued investment income				47,583
Prepaid expenses				11,640
Capital assets				<u>1,083,973</u>
Net assets of <i>governmental activities</i>				<u>\$ 3,736,863</u>

See notes to financial statements

Township of Convis

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2008

	<u>General</u>	<u>Emergency Services</u>	<u>Host Community</u>	<u>Total governmental funds</u>
REVENUES				
Licenses and permits	\$ 308,350	\$ -	\$ 16,201	\$ 324,551
State grants	117,061	-	-	117,061
Charges for services	8,615	-	-	8,615
Interest and rentals	110,232	32,725	13,084	156,041
Other	5,472	-	-	5,472
Total revenues	<u>549,730</u>	<u>32,725</u>	<u>29,285</u>	<u>611,740</u>
EXPENDITURES				
Legislative	5,040	-	-	5,040
General government	185,663	-	-	185,663
Public safety	99,151	-	-	99,151
Public works	46,827	-	-	46,827
Community and economic development	5,111	-	-	5,111
Recreation and culture	14,312	-	-	14,312
Capital outlay	38,054	-	-	38,054
Total expenditures	<u>394,158</u>	<u>-</u>	<u>-</u>	<u>394,158</u>
EXCESS OF REVENUES OVER EXPENDITURES	155,572	32,725	29,285	217,582
OTHER FINANCING SOURCES (USES)				
Operating transfer in (out)	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	55,572	132,725	29,285	217,582
FUND BALANCES - BEGINNING	<u>1,429,303</u>	<u>646,034</u>	<u>300,748</u>	<u>2,376,085</u>
FUND BALANCES - ENDING	<u>\$ 1,484,875</u>	<u>\$ 778,759</u>	<u>\$ 330,033</u>	<u>\$ 2,593,667</u>
Net change in fund balances - total governmental funds				\$ 217,582
Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:				
Certain changes in accrued investment income (decrease of \$11,736) and prepaid expenses (decrease of \$360) do not reduce financial resources and, therefore, are not reported in the funds.				(12,096)
Capital assets:				
Additions				35,099
Provision for depreciation				<u>(33,337)</u>
Change in net assets of <i>governmental activities</i>				<u>\$ 207,248</u>

See notes to financial statements

Township of Convis

STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund*

March 31, 2008

ASSETS

Cash		\$ <u>8,585</u>
------	--	-----------------

LIABILITIES

	308,350	
Due to other governmental units		\$ <u>8,585</u>

110,232

See notes to financial statements

Township of Convis
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Convis, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Convis
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from landfill impact fees and state shared revenue.

The Emergency Services Fund accounts for the financial resources accumulated for the acquisition of fire and emergency equipment. Revenues consist primarily of interest.

The Host Community Fund accounts for the financial resources accumulated for potential costs related to a private landfill currently operated in the Township. Revenues are amounts designated from fees collected under a host community agreement, and interest.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, the Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

Township of Convis
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Equipment	3 - 10 years
Infrastructure	40 years

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, taxes have been deferred from recognition as revenue until the following year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Recreation and culture	\$ 11,500	\$ 14,312	\$ (2,812)

Township of Convis
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS:

Cash and investments as presented in the accompanying financial statements, consist of the following:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Deposits	\$ 1,993,975	\$ 8,585	\$ 2,002,560
Cash on hand	50	-	50
Investments	<u>521,255</u>	<u>-</u>	<u>521,255</u>
Total	<u>\$ 2,515,280</u>	<u>\$ 8,585</u>	<u>\$ 2,523,865</u>

Deposits with financial institutions:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks and credit unions. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2008, \$575,448 of the Township's bank balances of \$2,007,152 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes and the Township's investment policy authorize the Township to invest in obligations of the U.S. Treasury, agencies, and instrumentalities and investment pools composed of otherwise legal investments.

At March 31, 2008, the Township's investments consisted of the following:

<u>Investment type</u>	<u>Fair value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation notes	\$ 101,606	12/15/2012
Federal Home Loan Mortgage Corporation notes	53,948	9/15/2033
Federal Home Loan Mortgage Corporation notes	5,001	10/15/2011
Money market accounts	<u>360,700</u>	N/A
	<u>\$ 521,255</u>	

Investment in Federal Home Loan Mortgage Corporation (FHLMC) securities is explicitly backed by the full faith and credit of the federal government, and, accordingly, is not considered to have credit risk.

Township of Convis
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Interest</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 51,035	\$ 7,555	\$ 17,900	\$ 76,490
Host Community	<u>2,686</u>	<u>4,626</u>	<u>-</u>	<u>7,312</u>
Total	<u>\$ 53,721</u>	<u>\$ 12,181</u>	<u>\$ 17,900</u>	<u>\$ 83,802</u>

All receivables are considered fully collectible, and are due within one year.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated - land	\$ 125,000	\$ -	\$ -	\$ 125,000
Capital assets being depreciated:				
Buildings and improvements	1,173,310	-	-	1,173,310
Equipment and furnishings	<u>27,904</u>	<u>35,099</u>	<u>-</u>	<u>63,003</u>
Subtotal	<u>1,201,214</u>	<u>35,099</u>	<u>-</u>	<u>1,236,313</u>
Less accumulated depreciation for:				
Buildings and improvements	(234,662)	(29,333)	-	(263,995)
Equipment and furnishings	<u>(9,341)</u>	<u>(4,004)</u>	<u>-</u>	<u>(13,345)</u>
Subtotal	<u>(244,003)</u>	<u>(33,337)</u>	<u>-</u>	<u>(277,340)</u>
Total capital assets being depreciated, net	<u>957,211</u>	<u>1,762</u>	<u>-</u>	<u>958,973</u>
Governmental activities capital assets, net	<u>\$ 1,082,211</u>	<u>\$ 1,762</u>	<u>\$ -</u>	<u>\$ 1,083,973</u>

Depreciation expense was charged to the general government function of the Township.

Township of Convis
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 7 - JOINT VENTURES:

The Township, together with the Townships of Assyria and Bellevue, and the Village of Bellevue, has established the Bellevue Community Fire Control Board (Board). The member units have equal representation on the Board, and all provide annual subsidies to the Board. Convis Township contributed \$25,300 to the Board for the fiscal year ended March 31, 2008.

The Township has also joined nine other units of government in Calhoun County in establishing the Marshall Area Fire Fighters Ambulance Authority. The member units have equal representation on the Authority Board, and provide annual subsidies to the Authority. The Township did not contribute to the Authority for the fiscal year ended March 31, 2008.

The Township has joined several other units of government in Calhoun, St. Joseph, and Kalamazoo Counties in an inter-local agreement under the Michigan Urban Cooperation Act of 1967 to establish South Central Michigan Construction Code Inspection, Inc. (Corporation) for purposes of providing for the joint enforcement and administration of construction codes and other governmental ordinances. The Township is represented on the board of the Corporation. No contributions were made by the Township to the Corporation during the year ended March 31, 2008.

The Township does not expect to receive residual equity from the above joint ventures.

NOTE 8 - CONCENTRATION OF REVENUE:

For the year ended March 31, 2008, the Township received \$254,961 in landfill impact fees from one commercial vendor. This amount represents 42 percent of the total revenues recorded in the Township's funds.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Convis
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Licenses and permits	\$ 308,350	\$ 300,600	308,350	\$ 7,750
State grants	81,500	81,500	117,061	35,561
Charges for services	1,000	1,000	8,615	7,615
Interest and rentals	110,232	110,232	110,232	-
Other	<u>2,850</u>	<u>2,850</u>	<u>5,472</u>	<u>2,622</u>
Total revenues	<u>503,932</u>	<u>496,182</u>	<u>549,730</u>	<u>53,548</u>
EXPENDITURES				
Legislative	<u>6,000</u>	<u>6,000</u>	<u>5,040</u>	<u>960</u>
General government:				
Supervisor	23,000	23,000	20,449	2,551
Elections	21,000	20,000	2,884	17,116
Assessor	16,250	16,250	14,110	2,140
Clerk	32,000	32,000	28,781	3,219
Board of Review	3,000	3,000	2,243	757
Treasurer	32,500	32,500	31,705	795
Hall and grounds	121,300	86,800	33,116	53,684
Cemetery	18,900	16,900	13,240	3,660
Insurance	30,000	30,000	21,295	8,705
Legal and audit	47,500	47,500	6,109	41,391
Payroll taxes	10,000	10,000	2,543	7,457
Printing and publishing	15,000	15,000	1,310	13,690
Education and training	10,000	10,000	702	9,298
Other	<u>29,000</u>	<u>32,500</u>	<u>7,176</u>	<u>25,324</u>
Total general government	<u>409,450</u>	<u>375,450</u>	<u>185,663</u>	<u>189,787</u>
Public safety:				
Police protection	80,000	90,000	73,589	16,411
Fire control	92,000	92,000	25,300	66,700
EMS equipment	5,000	5,000	-	5,000
Ambulance service	<u>10,000</u>	<u>1,000</u>	<u>262</u>	<u>738</u>
Total public safety	<u>187,000</u>	<u>188,000</u>	<u>99,151</u>	<u>88,849</u>

Township of Convis

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Public works:				
Pollution control	\$ 5,000	\$ -	\$ -	\$ -
Drains	5,000	5,000	4,807	193
Road maintenance	<u>150,000</u>	<u>150,000</u>	<u>42,020</u>	<u>107,980</u>
Total public works	<u>160,000</u>	<u>155,000</u>	<u>46,827</u>	<u>108,173</u>
Community and economic development - planning and zoning	<u>24,000</u>	<u>23,000</u>	<u>5,111</u>	<u>17,889</u>
Recreation and culture - library	<u>25,000</u>	<u>11,500</u>	<u>14,312</u>	<u>(2,812)</u>
Capital outlay	<u>501,000</u>	<u>223,000</u>	<u>38,054</u>	<u>184,946</u>
Total expenditures	<u>1,312,450</u>	<u>981,950</u>	<u>394,158</u>	<u>587,792</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(808,518)	(485,768)	155,572	641,340
OTHER FINANCING USES				
Transfer to Emergency Services Fund	<u>(200,000)</u>	<u>(200,000)</u>	<u>(100,000)</u>	<u>100,000</u>
NET CHANGES IN FUND BALANCES	(1,008,518)	(685,768)	55,572	741,340
FUND BALANCES - BEGINNING	<u>1,429,303</u>	<u>1,429,303</u>	<u>1,429,303</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 420,785</u>	<u>\$ 743,535</u>	<u>\$ 1,484,875</u>	<u>\$ 741,340</u>

Township of Convis**BUDGETARY COMPARISON SCHEDULE - *Emergency Services Fund****Year ended March 31, 2008*

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ 6,500	\$ 6,500	\$ 32,725	\$ 26,225
OTHER FINANCING SOURCES				
Transfer from General Fund	<u>200,000</u>	<u>200,000</u>	<u>100,000</u>	<u>(100,000)</u>
NET CHANGES IN FUND BALANCES	206,500	206,500	132,725	(73,775)
FUND BALANCES - BEGINNING	<u>646,034</u>	<u>646,034</u>	<u>646,034</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 852,534</u>	<u>\$ 852,534</u>	<u>\$ 778,759</u>	<u>\$ (73,775)</u>

Township of Convis**BUDGETARY COMPARISON SCHEDULE - Host Community Fund**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Permits	\$ 15,000	\$ 15,000	\$ 16,201	\$ 1,201
Interest	<u>1,000</u>	<u>1,000</u>	<u>13,084</u>	<u>12,084</u>
Total revenues	16,000	16,000	29,285	13,285
FUND BALANCES - BEGINNING	<u>300,748</u>	<u>300,748</u>	<u>300,748</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 316,748</u>	<u>\$ 316,748</u>	<u>\$ 330,033</u>	<u>\$ 13,285</u>

July 25, 2008

To the Board of Trustees
Township of Convis

We have audited the financial statements of the governmental activities , each major fund, and the aggregate remaining fund information of the Township of Convis for the year ended March 31, 2008, and have issued our report thereon dated July 25, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 3, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Township of Convis are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by Township of Convis during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



1958-2008

The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Convis' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Township of Convis as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Convis' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

- The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Convis and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.